

Partners or just Good Friends?



Mike Taylor
Strategy & Corporate Development Director
BT Global Services Public Sector
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I'm going to talk about....

- Words versus actions
- Supplier "Roles" in BT
- Types of Supplier
- Managing Supplier Risks
 - Supplier Positioning
 - Obligations Mapping
- Partnership Working with Suppliers
 - Partnership Charters
 - Key Partnership Characteristics

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Words versus Actions

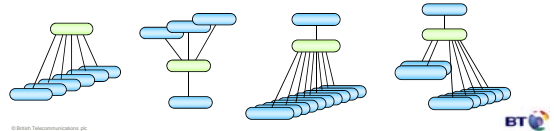
- | | |
|---|--|
| <ul style="list-style-type: none"> • We will accept risk • We will accept flow down • We will give full transparency • We want a seat at the customer negotiations • We will provide fully empowered people • We will agree a collective competitive margin • We are a fully committed partner | <ul style="list-style-type: none"> • Only if there is no risk or we have a substantial contingency • Only if there is no risk or we have a substantial contingency • Unless its against our policy and isn't used in evidence against us • Because we don't trust you • But we can't give commitments without executive approval • So long as we can make at least 20%. • We are American |
|---|--|

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Supplier "Roles" in BT

- Four distinct models
- The supplier performs a different role in each model
- Each model is born of different "Drivers"
- Each model presents different "Selection & Management Risks"



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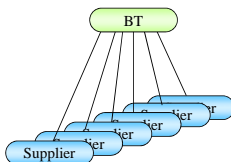
1. The role of ... Traditional Supplier

Drivers

- BT spending its own money
- Primarily for internal consumption
- Minimising cost is key

Selection / Management Risks

- Low risk
- Multiple sources of supply
- Ease of doing business is key



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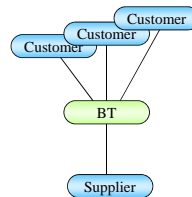
2. The role of... Proposition Supplier

Drivers

- Desire to repeat-sell a product or proposition to multiple customers
- Grow / protect multiple revenue streams

Selection / Management Risks

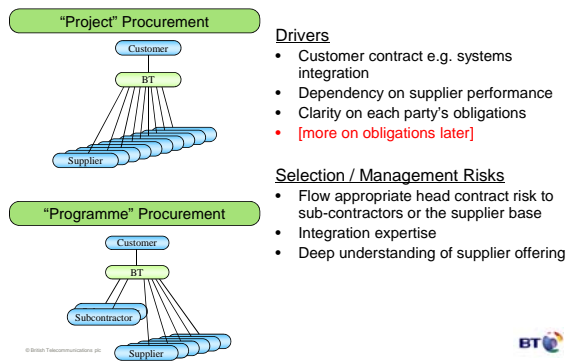
- Supplier's understanding of customer community
- BT misunderstanding supplier offering
- Failure of supplier relationships has disproportionate impact on multiple customer relationships, and potentially BT brand



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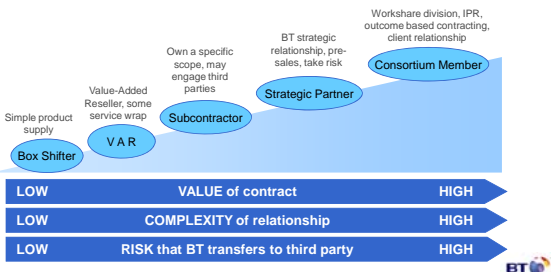


3. The role of ... Project or Programme Supplier



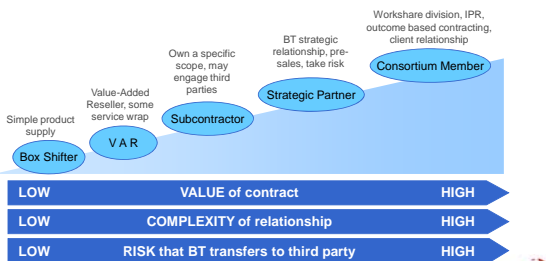
What's in a name?

The different types of **third party** that BT might contract with will vary in terms of the **risk** that BT would flow down to the third party; the typical contract **value**; and the **complexity** of the BT / Third Party relationship.

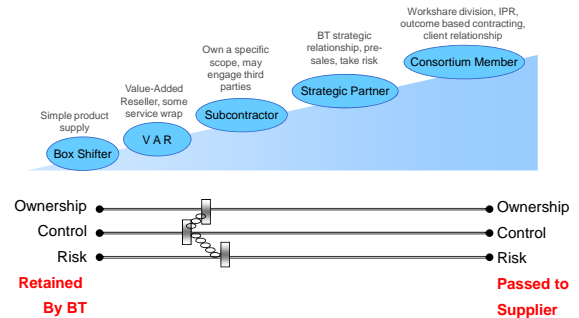


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What's in a name?



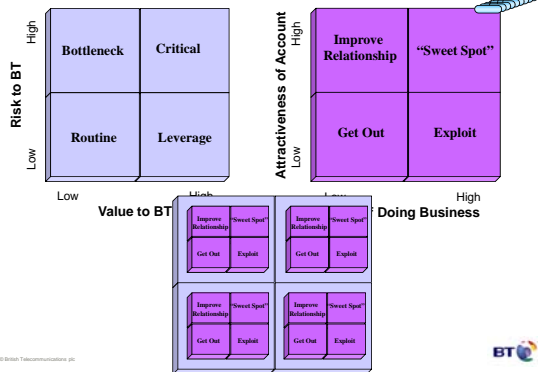
Managing Supplier Risk

- How else can we improve the understanding of supplier risk, and the management of that risk?
 - Risk Objective
 - Supplier Positioning
 - Obligations Mapping
 - Mis-matches in obligations

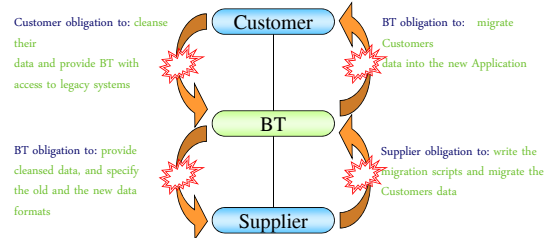
Risk Objective

- Elimination is NOT the Objective
- The objective is: "to **identify** and **assess** risk in dealings with customers, suppliers, subcontractors and other business partners and to **mitigate** and **manage** that risk"
- Managing risk v taking a chance
- Risk is only risky if you:
 - don't know it's there
 - don't understand what to do with it
 - don't provision for it
 - don't manage it

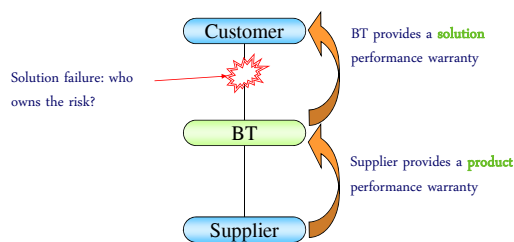
Supplier Positioning



Obligations Mapping



Mis-Match in Obligations



Working in "Partnership" with Suppliers

Partnership relationships are appropriate when:

- There is mutual dependency for joint success
- Long term business outcomes are shared
- Market reputations are interwoven
- Customer influences supplier growth & development
- End user solution requires joint development
- IPR will be jointly owned and exploited
- Long term strategic relationships are desired
- Partners have complementary skills / offerings
- Respective customer bases could be exploited
- Customer expects consortia to bid

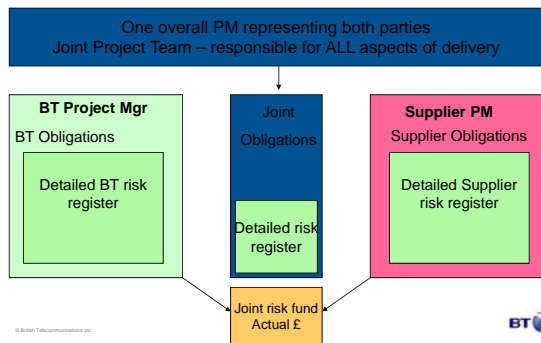
Partnership Charters

- Establish a Partnership Charter with executive sponsorship and contractualise it.....Why?
- Excellent business relationships do not happen by accident, they are planned and developed and require significant investment by both parties
- Establishing an effective relationship is fundamental to the success of a partnership
- Partnership is multivocal; all opinions are valid/useful
- Schedule regular surveys to measure success
- Plan for when, not if, things go wrong
- Partnerships develop through behaviours and attitudes not through organisational structure alone

Key Partnership Characteristics

- Clear and pro-active top-level leadership
- Shared ownership of the partnership
- Individual and organisational empowerment
- Engagement at all organisational levels
- Open and honest dialogue
- Co-operation and sharing of risks and issues
- Mutual trust and respect
- Transparency and mutual accountability
- Proactive approaches to new ideas & issue resolution
- Constructive questioning and challenge
- Shared business outcomes

A Partnership Approach to Risk



Summary

- Talk is cheap, doing requires investment
- Different suppliers have different roles; one size **never** fits all
- Understand the relationship; move it to where it needs to be
- People make partners, not processes
- Partnerships are like Tea Bags